

LAW OFFICES

**STRANG, FLETCHER, CARRIGER, WALKER, HODGE, & SMITH, PLLC**

CARLOS C. SMITH  
WILLIAM C. CARRIGER  
RICHARD T. HUDSON  
EWING STRANG  
LARRY L. CASH \*  
CHRISTINE MABE SCOTT \*  
J. ROBIN ROGERS # \*  
G. MICHAEL LUHOWIAK  
GREGORY D. WILLETT  
MARK W. SMITH \*  
STEPHEN D. BARHAM

OF COUNSEL  
ROBERT KIRK WALKER  
FREDERICK L. HITCHCOCK

400 KRYSTAL BUILDING  
ONE UNION SQUARE  
CHATTANOOGA, TENNESSEE 37402-2514  
TELEPHONE 423-265-2000  
FACSIMILE 423-756-5861

April 30, 2002

S. BARTOW STRANG  
1882-1954  
JOHN S. FLETCHER  
1879-1961  
JOHN S. CARRIGER  
1902-1989  
JOHN S. FLETCHER, JR.  
1911-1974  
ALBERT L. HODGE  
1910-1997  
F. THORNTON STRANG  
1920-1999

\* ALSO LICENSED IN GEORGIA  
# ALSO LICENSED IN ALABAMA

VIA FEDERAL EXPRESS

Mr. David Waddell, Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Electric Power Board of Chattanooga

Dear David:

Enclosed is the information compiled by the Electric Power Board of Chattanooga for the fiscal year 2001. Also, enclosed is additional information for fiscal year 2001 in response to the issues and questions raised by your letter of April 10, 2002.

Please contact us if you have any additional questions or need additional information or documentation.

Sincerely yours,



William C. Carriger  
For the Firm

WCC:tm  
EPB/TEL - #109  
Enclosures

101. 11 TELECOM



DELIVERY ADDRESS BARCODE (FEDEX-EDR)

TRK # 7904 0135 1368 FORM 0201

FedEx STANDARD OVERNIGHT

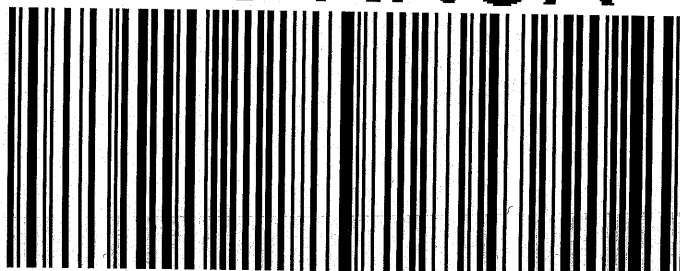
BNA

37243-TN-US

**XB RNCA**

WED  
A1

Deliver by:  
01MAY02



Information for TRA Letter for Fiscal Year 2001

1. The General Allocator is a fraction with the expenses directly assigned and attributed to telecommunications services as the numerator and the sum of the expenses directly assigned and attributed to the telecommunications plus the expenses directly assigned and attributed to the electric utility services as the denominator. The cost of goods (specifically wholesale power and wholesale telecommunications services) shall be excluded from the calculation of the directly assigned and attributed expenses.

The General Allocator used in calculating the amount allocated to the Telecommunications Division for the Board of Directors and the Services of City of Chattanooga was calculated monthly based on the above formula.

2. The General Allocator used in calculating EPB Overhead is computed on a month by month basis. The General Allocator used was as follows:

July 2000	9.9%
August 2000	10.1%
September 2000	8.5%
October 2000	8.8%
November 2000	9.4%
December 2000	10.5%
January 2001	10.5%
February 2001	10.7%
March 2001	12.6%
April 2001	12.4%
May 2001	14.0%
June 2001	12.5%

3. There are 937 poles included in the \$54,465.68. The rental agreement is month to month indefinitely.
4. EPB Telecommunications Division utilized 9,900 duct feet of conduit.
5. EPB Telecommunications Division occupied 8,093 square feet for 12 months. Yes, \$111,683.40 is for the entire year.

6. Corporate Accounting functions include Accounts Payable, Payroll, General Ledger and Plant Accounting. A breakdown of \$38,977.32 is as follows:

Accounts Payable	\$9,517.72
Payroll	\$4,532.25
General Ledger	\$18,128.98
Plant Accounting	<u>\$6,798.37</u>
Total Breakdown	<u>\$38,977.32</u>

7. The \$258.99 includes one land-line phone for 12 months. Most of telecommunications' phone charges are direct, not allocated.
8. A Listing of Telecommunications Employees is attached. Total salaries equal \$1,620,028.24 and are charged directly to the Telecommunications Division. Below is a breakdown of the employee benefits dollars.

Disability Insurance	\$7,623.16
Life Insurance	\$1,262.07
Sick Leave	\$12,334.11
401(k)	\$16,687.04
Postretirement	\$27,026.84
Pension	\$28,691.97
Health Insurance	\$89,583.15
Dental Insurance	\$8,506.32
Worker's Comp	<u>\$6,137.32</u>
Total Benefits	<u>\$197,851.98</u>

9. The following is a breakdown of the Information Technology Allocation.

Budgeted # of PC's	26
Total Budgeted EPB PC's	317
Percent	8.20%
Budgeted IT Labor	\$298,944
Labor	\$24,516.00

10. Please see the attached EPB Telecommunications System "Operating Revenues, Operating Expenses & Other Deductions."

## LISTING OF TELECOMMUNICATIONS EMPLOYEES

EMP#	NAME
1061	Sharolynn Harper
950	Edwin Krajesky
1017	John Purcell
972	John Seiffert
966	Jeremy Garrett
1032	Kenneth Jones
794	Glynn Lockhart
1059	Stacey Massengale
971	Craig Mercer
541	Gary Scott Owens
1054	Mark Payne
974	Frank Roden
1074	Leslie Blair Brown
965	Jimmy Dotson
895	Robert Hay III
984	Robbie Moore
963	Dale Donaldson
1110	Valerie Lucas
969	Marilyn Pursley
957	Andrea Williams
958	Deborah Lee George
962	Jeffrey Glass
951	Elizabeth Hunsucker
1038	Stacy Keith
1041	Ann King
1108	Sherry Peace
964	Todd Rowden
988	Louis Savard
1012	Catherine Vreeland
967	Matthew Whitaker
1083	Misty Frizzell
1005	Gregory Hewitt
349	Katherine Joan Owens
934	William Chapman

EPB TELECOMMUNICATIONS SYSTEM  
OPERATING EXPENSES & OTHER DEDUCTIONS  
JULY 2000 - JUNE 2001

Page 1 of 2

Gl Acct #	Gl Description	Gl Curr	Gl Qtr Td	Gl Ytd
106120.151	NETWRK OP-OCCUPANCY CST	0	0	29,259.45
106530.030	GEN.MGT-OS LAB	105.5	316.5	4,304.50
106530.040	GEN.MGT-MATERIAL&SUPPL	0	0	127.7
106530.180	NET.OPER-MGT-TELEPHONE	0	0	243.41
106530.199	GEN.MGT-GENERAL EXPENSE	0	0	132.41
106531.152	NETWORK OPS-INTER TRUNK	14,741.66	47,878.39	95,755.85
106531.153	NETWORK OPS-UNE-P	85,503.04	234,560.51	453,582.83
106531.154	NETWORK OPS-SWITCH FEES	14,939.92	25,459.72	72,015.20
106531.155	NETWORK OPS-GEN EXP	6,288.37	16,980.43	49,371.79
106531.157	NETWORK OPS-LONG DST EX	15,485.51	49,038.40	129,992.05
116120.151	SWITCH.OP-OCCUPANCYCOST	3,251.05	9,753.15	9,753.15
116210.020	SWITCH.OP-SALARY&WAGES	20,781.13	64,713.49	222,242.12
116210.021	SWITC OP-S&W-OT-PLANNED	174.83	500.83	500.83
116210.040	SWITCH.OP-MATERIAL&SUPP	883.05	1,203.78	5,970.67
116210.111	SWITCH.OP-TRAINING	0	4,814.02	8,789.02
116210.112	SWITCH.OP-TRAVEL	982.46	3,194.23	5,440.04
116210.130	SWITCH OP.-MSC EMPL BEN	-1,073.39	-1,050.30	2,987.45
116210.140	SWITCH.OP-CONSULTING	0	400	12,662.50
116210.180	NET.OP-SWITCH-TELEPHONE	581.44	2,281.35	7,877.27
116210.184	SWITCH.OP-LIC.&SOFTWARE	9	4,009.00	4,009.00
116210.199	SWITCH.OP-GENERAL EXP.	8,904.51	8,904.51	14,518.30
126110.360	FIELD SERVICE-VEHICLES	0	0	7,474.10
126410.020	FIELD SVC.-SAL.&WAGES	-259,016.71	-194,077.73	82,221.02
126410.021	FLD SVC-S&W-OT-PLANNED	4,118.17	9,846.67	9,846.67
126410.030	FIELD SVC-O/S CONTR.	-2,080.50	-1,330.00	0
126410.040	FIELD SVC-MAT&SUPPLIES	1,167.10	5,672.80	19,061.32
126410.044	FIELD SVC-INSTL.EXP.	0	0	1,671.64
126410.111	FIELD SVC-TRAINING	-3,100.00	-1,125.00	525.8
126410.112	FIELD SVC-TRAVEL	34.57	1,199.15	1,528.35
126410.140	FIELD SVC-CONSULTING	0	0	35
126410.150	FIELD SVC-POLE ATT&RTS	4,007.01	12,021.03	54,465.68
126410.180	NET.OP-FIELD-TELEPHONE	1,592.99	3,043.49	6,369.42
126410.199	FIELD SVC-GENERAL EXP.	12,313.46	12,505.44	12,505.44
126410.360	FIELD SVC.SAL&WAGES TRA	800	5,038.65	5,038.65
136530.020	ENG-SALARY & WAGES	-108,606.79	-66,881.00	67,536.35
136530.021	ENG-S&W-OT-PLANNED	227.38	976.69	976.69
136530.030	ENG-OUTSIDE LABOR	-46,184.08	-32,624.88	0
136530.040	ENG-MAT&SUPPLIES	2,558.44	4,458.15	22,092.29
136530.111	ENGINEERING-TRAINING	0	1,648.35	6,846.20
136530.112	ENGINEERING-TRAVEL	433.02	1,165.40	3,399.90
136530.180	GEN.OP-ENG-TELEPHONE	466.09	956.46	2,295.73
136530.199	ENG-GENERAL EXP	6,438.99	6,648.07	6,876.99
146510.020	CUST PROV-SAL&WAGES	10,899.87	32,445.09	130,066.61
146510.021	CUST PROV-S&W-OT-PLNNED	123.93	1,827.21	1,827.21
146510.030	CUST PROV-OS LABOR	0	526.4	526.4
146510.111	CUST PROV-TRAINING	0	0	1,193.30
146510.112	CUST PROV-TRAVEL	0	1,007.00	4,918.54
146510.180	GEN.OP-CUST.-TELEPHONE	68.49	133.52	531.95
146510.199	CUST PROV-GENERAL EXP	4,341.09	4,371.09	4,397.09
146620.184	LIC FEE & SOFTWARE	2,400.00	7,200.00	11,163.00
206610.020	SALES&MKTG-SALARY&WAGES	40,545.07	125,403.86	524,519.02
206610.023	SALES&MKTG-COMMISSIONS	33,669.11	96,997.36	300,019.65

EPB TELECOMMUNICATIONS SYSTEM  
OPERATING EXPENSES & OTHER DEDUCTIONS  
JULY 2000 - JUNE 2001

Page 2 of 2

206610.040	SALES&MKTG-MATERIAL&SUP	4,091.08	8,541.42	45,524.78
206610.111	SALES&MKTG-TRAINING	570.69	598	1,545.00
206610.112	SALES&MKTG-TRAVEL	2,720.38	6,627.61	22,885.20
206610.140	SALES&MKTG-CONSULTING	0	307.9	711.35
206610.160	SALES&MKTG-ADVERTISING	7,241.50	15,224.63	53,620.00
206610.161	SALES&MKTG-PROMOTIONS	0	2,719.50	2,719.50
206610.169	SALES&MKTG-MKTG INCENT.	2,293.95	-425.55	2,293.95
206610.180	SALES&MKTG-TELEPHONE	2,421.77	3,993.65	13,734.51
206610.199	SALES&MKTG-GENERAL EXP	17,440.14	21,395.14	29,248.79
306620.020	CUST.OPER-SALARY&WAGES	9,948.75	20,241.16	63,216.98
306620.021	CUST OPER-S&W-OT-PLNED	761.12	2,036.28	2,036.28
306620.030	CUST OPER-OS LABOR	75	7,930.11	28,201.46
306620.040	CUST.OPER-MAT.&SUPPLIES	0	427.72	698.34
306620.140	CUST.OPER-CONSULTING	0	1,020.00	22,551.27
306620.169	CUST OPS-MKTG INCENTIVE	448	2,424.00	2,424.00
306620.180	CUSTOMER OPS-TELEPHONE	25.91	92.54	224.17
306620.184	CUST.OPER-LIC.FEE&SFTWR	3,779.39	11,338.77	40,945.55
306620.199	CUST.OPER-GENERAL EXP.	2,672.95	3,331.32	4,884.46
306623.180	CUST OP-CUST CARE PHONE	0	303.25	2,238.04
906120.151	ADMIN-OCCUPANCY COSTS	6,055.90	18,167.70	72,670.80
906710.020	EXECUTIVE-SALARY&WAGES	11,729.65	42,359.55	154,929.27
906720.020	ADMIN-SALARY & WAGES	0	10,241.57	60,089.54
906720.040	ADMIN-MATERIAL&SUPPLIES	698.69	2,977.01	9,886.91
906720.111	ADMIN-TRAINING	0	9.7	1,441.85
906720.112	ADMIN-TRAVEL	85.9	420.64	4,844.75
906720.120	ADMIN-EMPL.HLTH.INSUR.	-38,914.63	-6,114.64	98,089.47
906720.121	ADMIN-EMPL.INSUR-OTHER	-3,779.17	475.44	15,022.55
906720.125	ADMIN-PENSION BENEFITS	-7,300.66	-1,014.66	28,691.97
906720.126	ADMIN-POSTRET. BENEFITS	-6,765.57	-621.57	27,026.84
906720.127	ADMIN-401K RET.SAV.PLAN	-2,894.47	1,897.27	16,687.04
906720.130	ADMIN-MISC.EMPL.BENEFIT	-27,471.95	3,581.95	109,777.59
906720.140	ADMIN-CONSULTING	3,852.50	8,700.09	75,217.48
906720.141	ADMIN-LEGAL FEES	4,540.00	6,418.00	14,003.00
906720.180	ADMIN-TELEPHONE EXP.	684.87	865.7	2,139.64
906720.183	ADMIN-COMP&OFC EQP MTC	158.95	693.69	1,058.87
906720.190	ADMIN-PROPERTY INSURANC	1,203.55	3,552.07	12,357.46
906720.191	ADMIN-LIABILITY INSURAN	1,203.56	3,552.07	12,357.45
906720.199	ADMIN-GENERAL EXPENSE	4,519.03	11,271.66	28,448.29
906720.361	ADMIN-INFO.SERV.COSTS	2,000.00	6,000.00	24,000.00
906720.365	ADMIN-GEN.SVC.FROM EPB	10,957.80	37,688.88	133,394.63
906720.367	ADMIN-CORP.ACCTG.SVC.	3,248.11	9,744.33	38,977.32
906720.368	ADMIN-HUMAN RES SERV	994.49	3,286.36	3,286.36
OPERATING EXP BEFORE DEPREC & PROP TAXES		(101,928.04)	784,291.54	3,703,568.26
906560.380	DEPREC-TELECOM SYSTEM	77,226.35	231,665.05	768,193.25
7200.501	IN LIEU OF TAXES	20,687.52	62,062.57	210,947.19
TOTAL OPERATING EXPENSES		(4,014.17)	1,078,019.16	4,682,708.70

**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2001**

**INDEX**

- a. The name and address of all affiliated divisions.
- b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract
- c. The amount of affiliate transactions by affiliate by account charged
- d. The basis used to record affiliate transactions
- e. Total costs allocated or charged back to each division
- f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division
- g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis
- h. A computation of all tax allocations for regulatory purposes as follows:
  - 1. Property taxes
  - 2. Sales taxes
  - 3. Other State and Local Taxes
  - 4. Federal Income Tax

**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2001**

**a. The name and address of all affiliated divisions.**

EPB Electric System  
P. O. Box 182255  
Chattanooga, TN 37422

**b. All contracts entered into with affiliated divisions or entity, and all transactions undertaken with any affiliates without a written contract**

Contracts:

Revolving Line of Credit Note to EPB for amounts advanced by the electric system to the Telecommunications Division up to \$22,000,000

Non-Contracts transactions:

Electric service provided to telecommunications facilities

**c. The amount of affiliate transactions by affiliate by account charged**

- |   |               |
|---|---------------|
| 1. Loan advanced from EPB to the Telecommunications Division:       | \$ 17,601,605 |
| 2. Interest expense on loan from EPB:                               | \$ 1,250,114  |
| 3. Electric service to free-standing Telecommunications facilities: | \$ 1,075      |

**d. The basis used to record affiliate transactions**

- |   |  |
|---|--|
| 1. Loan advanced from EPB to the Telecommunications Division  |  |
| Basis: cash value   |  |
| 2. Interest expense on loan from EPB  |  |
| Basis: highest of prime rate published in <i>Wall Street Journal</i> , or earned on invested electric funds |  |
| 3. Electric service to free-standing Telecommunications facilities  |  |
| Basis: TVA published rates, commercial classification   |  |



**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2001**

**e. Total costs allocated or charged back to each division**

**Total Allocations to Telecommunications -  
FY 2001**

<u>Expenses</u>	<u>Amount FY 2001</u>
Information Technology	24,516.00
Rental – Poles	54,465.68
Building Rental	111,683.40
Corporate Accounting	38,977.32
Annual Audit & Report	24,000.00
Payroll Benefits	197,851.98
EPB Overhead	161,395.91
Telephone Services	258.99
Board of Directors	1,218.68
Services of City of Chattanooga	609.34
	<u>614,977.30</u>

**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2001**

**f. Updates of the allocation factors used to allocate costs between the electric system and the telecommunications division**

1. Information Technology – Allocated based on the budgeted number of Telecommunications PC's and budgeted IT Labor.
2. Rental – Poles - Based on actual number of poles used, their location, and number of feet of conduit used. The dollar charge is the highest EPB charges any outside party for comparable pole attachments.
3. Building Rental – Allocated based on square footage occupied by Telecommunications.
4. Corporate Accounting - Allocated on analysis of accounting function performed by each employee.
5. Annual Audit & Report – Allocated based on the estimated annual audit and annual report.
6. Payroll Benefits – Pension, Post-retirement, Life, Disability, & Workers Comp Insurance, Misc. Employee Benefits allocated based on a payroll ratio calculated using total labor dollars.  
  
Health Insurance – Allocated based on the type of insurance policy taken out by each employee.  
  
Dental Insurance - Allocated based on the number of employees.
7. EPB Overhead – Management and administrative personnel including Human Resources. Allocated based on the General Allocator.  
  
Insurance covering Liability, Property, Comprehensive Dishonesty, General Liability, Auto Liability, Directors & Officers Liability, and Umbrella Excess Liability. Allocated based on the number of employees.
8. Telephones – Allocated based on actual number of phones used by Telecommunications. (Most telecommunications' phones are direct charges, not allocated).
9. Board of Directors – Allocated based on general allocator.
10. Services of City of Chattanooga – Allocated based on general allocator.

**EPB Telecommunications**  
**Reporting Requirements**  
**Fiscal Year 2001**

**g. EPB's audited financial data for the electric system and for the telecommunications division and on a consolidated basis**

**h. A computation of all tax allocations for regulatory purposes as follows:**

**1. Property taxes**

<u>TAXING DISTRICT</u>	<u>JUNE 30, 2000 NET BOOK VALUE</u>	<u>ASSESSMENT RATIO</u>	<u>2000 TAX RATE</u>	<u>2000 EQUALIZATION RATIO</u>	<u>TAX</u>
CHATTANOOGA	\$ 7,121,601.26	0.55	2.3100	0.8846	\$ 80,038.56
HAMILTON COUNTY	7,121,601.26	0.55	3.5190	0.8846	121,928.87
Total Property Tax	\$ 14,243,202.52				<u>\$ 201,967.43</u>

**2. Sales taxes**

Capital expenditures	\$ 4,392,631
Material Expenses	103,362
Total	<u>\$ 4,495,993</u>

@ 6.00% State \$ 269,760

Capital expenditures	\$ 4,392,631
Material Expenses	103,362
Total	<u>\$ 4,495,993</u>
Less: Single Article	<u>1,708,055</u>
	<u>\$ 2,787,938</u>

@ 2.25% State \$ 62,729

Total Sales Tax \$ 332,489

**EPB Telecommunications**  
Reporting Requirements  
Fiscal Year 2001

**3. Other State and Local Taxes**

**Privilege Tax**

Gross Receipts	\$ 2,126,393
Less: Exempt	<u>5,000</u>
	\$ 2,121,393

@ Privilege Tax rate	<u>3%</u>
Privilege Tax	\$ 63,642
Credit for Franchise & Excise	<u>30,189</u>
Net Privilege Tax	<u>\$ 33,453</u>

**Franchise, Excise Tax**

Franchise, Excise Tax (calculation attached)	<u>\$ 30,189</u>
---	------------------

**4. Federal Income Tax**

Federal Income Tax Documentation attached	<u>\$ 0</u>
--	-------------

orm 1120

## U. S. Corporation Income Tax Return

OMB No. 1545-0123

Department of the Treasury  
Internal Revenue Service

For calendar year 2000 or tax year beginning 7/01, 2000, ending 6/30, 2001

2000

▶ Instructions are separate. See page 1 for Paperwork Reduction Act Notice.

<b>Check if a:</b> Consolidated return (attach Form 851) <input type="checkbox"/> Personal holding co. (attach Sch. PH) <input type="checkbox"/> Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T - see instructions) <input type="checkbox"/>		<b>Use IRS label. Otherwise, print or type.</b> EPB - Telecommunications System PO Box 182255 Chattanooga, TN 37422	<b>B Employer identification number</b> 999999999				
<b>Check applicable boxes:</b> (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Change of address		<b>D Total assets (see page 8 of instructions)</b> \$ 11,148,662					
<b>INCOME</b>	1a Gross receipts/sales	2,126,393	b Less returns & allowances		c Balance ▶	1c	2,126,393
	2 Cost of goods sold (Schedule A, line 8)					2	800,718
	3 Gross profit. Subtract line 2 from line 1c					3	1,325,675
	4 Dividends (Schedule C, line 19)					4	
	5 Interest					5	
	6 Gross rents					6	
	7 Gross royalties					7	
	8 Capital gain net income (attach Schedule D (Form 1120))					8	
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					9	
	10 Other income (see page 8 of instructions - attach schedule)					10	
	11 Total income. Add lines 3 through 10					11	1,325,675
<b>SUBTRACTIONS FOR LIMITATIONS</b>	12 Compensation of officers (Schedule E, line 4)					12	
	13 Salaries and wages (less employment credits)					13	
	14 Repairs and maintenance					14	
	15 Bad debts					15	
	16 Rents					16	
	17 Taxes and licenses					17	210,947
	18 Interest					18	1,250,114
	19 Charitable contributions (see page 11 of instructions for 10% limitation)					19	
	20 Depreciation (attach Form 4562)	20	768,193				
	21 Less depreciation claimed on Schedule A and elsewhere on return	21a				21b	768,193
	22 Depletion					22	
23 Advertising					23		
24 Pension, profit-sharing, etc., plans					24		
25 Employee benefit programs					25		
26 Other deductions (attach schedule)				See Statement 1	26	2,902,851	
27 Total deductions. Add lines 12 through 26					27	5,132,105	
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28	-3,806,430	
29 Less: a Net operating loss (NOL) deduction (see page 13 of instrs.) Stmt. 2	29a	0					
b Special deductions (Schedule C, line 20)	29b				29c		
30 Taxable income. Subtract line 29c from line 28					30	-3,806,430	
31 Total tax (Schedule J, line 11)					31	0	
32 Payments:							
a 1999 overpayment credited to 2000	32a						
b 2000 estimated tax payments	32b						
c Less 2000 refund applied for on Form 4466	32c						
d Bal	32d	0					
e Tax deposited with Form 7004	32e						
f Credit for tax paid on undistributed capital gains (attach Form 2439)	32f						
g Credit for Federal tax on fuels (attach Form 4136). See instructions	32g				32h	0	
33 Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached					33		
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					34	0	
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					35		
36 Enter amount of line 35 you want: Credited to 2001 estimated tax				Refunded	36		

<b>Sign Here</b>	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
	Signature of officer	Date	Title	
<b>Paid Preparer's Use Only</b>	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed) address, and ZIP code	Glenn Holloway, CPA P.O. Box 11568 Chattanooga, TN 37401		EIN Phone no. (706) 861-1497

**Tennessee Department of Revenue  
Franchise, Excise Tax Return**

**FAE**  
**170**  
1032

<b>Taxable Year</b> Beginning: 7/01/00 Ending: 6/30/01	<b>Account No.</b> 000000000000 <b>Due Date</b> 10/15/2001	<b>FEIN or SSN</b> 999999999		
<b>Check appropriate block(s):</b> <table style="width:100%;"> <tr> <td style="width:50%; vertical-align: top;">           a <input checked="" type="checkbox"/> Tennessee domestic corporation            b <input type="checkbox"/> Foreign corporation            c <input type="checkbox"/> S corporation            d <input type="checkbox"/> Insurance company            e <input type="checkbox"/> LLC            f <input type="checkbox"/> PLLC            g <input type="checkbox"/> Single member LLC/individual            h <input type="checkbox"/> Single member LLC/corporation            i <input type="checkbox"/> Single member LLC/general partnership         </td> <td style="width:50%; vertical-align: top;">           j Single member LLC/division of parent (see instructions)            k <input type="checkbox"/> LP            l <input type="checkbox"/> LLP            m <input type="checkbox"/> RLLP            n <input type="checkbox"/> PRLLP            o <input type="checkbox"/> Business trust            p <input type="checkbox"/> Not-for-profit            q <input type="checkbox"/> Other         </td> </tr> </table>		a <input checked="" type="checkbox"/> Tennessee domestic corporation b <input type="checkbox"/> Foreign corporation c <input type="checkbox"/> S corporation d <input type="checkbox"/> Insurance company e <input type="checkbox"/> LLC f <input type="checkbox"/> PLLC g <input type="checkbox"/> Single member LLC/individual h <input type="checkbox"/> Single member LLC/corporation i <input type="checkbox"/> Single member LLC/general partnership	j Single member LLC/division of parent (see instructions) k <input type="checkbox"/> LP l <input type="checkbox"/> LLP m <input type="checkbox"/> RLLP n <input type="checkbox"/> PRLLP o <input type="checkbox"/> Business trust p <input type="checkbox"/> Not-for-profit q <input type="checkbox"/> Other	If this is an amended return, please check the box at right. <input type="checkbox"/>  If the taxpayer is inactive in Tennessee, please check the box at right. <input type="checkbox"/>  If this is a final return for termination or withdrawal, please check box at right. <input type="checkbox"/>  If the payment for this return was sent via EFT, please check the box at right. <input type="checkbox"/>  If the taxpayer is a member of a consolidated group, please check the box at right. <input type="checkbox"/>  If the taxpayer is a member of a partnership operating in Tennessee, please check the box at right. <input type="checkbox"/>
a <input checked="" type="checkbox"/> Tennessee domestic corporation b <input type="checkbox"/> Foreign corporation c <input type="checkbox"/> S corporation d <input type="checkbox"/> Insurance company e <input type="checkbox"/> LLC f <input type="checkbox"/> PLLC g <input type="checkbox"/> Single member LLC/individual h <input type="checkbox"/> Single member LLC/corporation i <input type="checkbox"/> Single member LLC/general partnership	j Single member LLC/division of parent (see instructions) k <input type="checkbox"/> LP l <input type="checkbox"/> LLP m <input type="checkbox"/> RLLP n <input type="checkbox"/> PRLLP o <input type="checkbox"/> Business trust p <input type="checkbox"/> Not-for-profit q <input type="checkbox"/> Other			

Taxpayer Name and Mailing Address	
Name	EPB - Telecommunications System
Box (street)	PO Box 182255
City	Chattanooga
State	TN
ZIP Code	37422

Enter the principal business activity code (NAICS) listed in federal IRC instructions that best describes the principal business activity in Tennessee.	
513300	
Date Tennessee Operations Began	If you use a paid preparer and do not want forms mailed to you next year, check box at right. <input checked="" type="checkbox"/> X

Schedule A - Computation of Franchise Tax			
1 Total net worth from Schedule J, line 6.	1		-7,769,788
2 Total real and tangible personal property from Schedule G, line 14.	2		12,075,596
3 Franchise tax (25cent per \$100.00 or major fraction thereof on the greater of lines 1 or 2; minimum \$100.00)	3		30,189

Schedule B - Computation of Excise Tax			
4 Income subject to excise tax from Schedule J, line 30.	4		-7,769,788
5 Excise tax (6% of line 4).	5		0
6 Add: Recapture of excise tax credit from Schedule T, Part 2.	6		
7 Net excise tax due (line 5 plus line 6)	7		0

Schedule C - Computation of Total Tax Due or Overpayment			
8 Total franchise and excise taxes - Add lines 3 and 7.	8		30,189
9 Deduct: Total credit from Schedule D, line 7 (cannot exceed line 8)	9		
10 Subtotal: Line 8 less line 9 (if line 9 exceeds line 8, enter 0 here).	10		30,189
11 Deduct: Total payments from Schedule E, line 7	11		
12 Penalty (5% for each 30-day period of delinquency not to exceed 25%; minimum penalty is \$15)	12		
13 Interest ( % per annum on taxes unpaid by the due date)	13		
14 Penalty on estimated franchise, excise tax payments.	14		5,736
15 Interest on estimated franchise, excise tax payments. See Worksheet	15		
16 Total amount due (overpayment) - Add lines 10, 12, 13, 14, and 15, less line 11	16		35,925
If overpayment reported on line 16, complete A and/or B:			
A <input type="checkbox"/> Credit to next year's tax ... \$			
B <input type="checkbox"/> Refund ... \$			

<b>Power of Attorney</b> - Check Yes if this taxpayer's signature certifies that this tax preparer has the authority to execute this form on behalf of the taxpayer and is authorized to receive and inspect confidential tax information and to perform any and all acts relating to respective tax matters. <input type="checkbox"/> Yes	Under penalties of perjury, I declare that I have examined this report, & to the best of my knowledge & belief, it is true, correct, & complete.		
Taxpayer's Signature  Tax Preparer's Signature Glenn Holloway, CPA P.O. Box 11568 Preparer's Address	Date  Preparer's SSN Date Chattanooga City	Title (706) 861-1497 Telephone TN State	37401 ZIP Code

For Office Use Only

RV-R0011001

TNC0812L 12/27/00

1703150000000002000070120010630012000000000000019999999900000000003

**Schedule D – Schedule of Credits**

1	Gross premiums tax credit (cannot exceed Schedule C, line 8) .....	1		
2	Insurance company reduction (percentage of Schedule C, line 8, less Schedule D, line 1) .....	2		
3	Tennessee income tax (cannot exceed Schedule B, line 5) .....	3		
4	Day Care Credit from Schedule W, line 18/LIHTC from Schedule Y, line 3 .....	4		
5	Industrial Machinery Credit from Schedule T, line 11 .....	5		
6	Jobs Tax Credit from Schedule X, line 27 .....	6		
7	Total credit – Add lines 1 through 6 (enter here and on Schedule C, line 9) .....	7		

**Schedule E – Schedule of Payments**

1	Overpayment from previous year if available .....	1		
2	First quarterly estimated payment .....	2		
3	Second quarterly estimated payment .....	3		
4	Third quarterly estimated payment .....	4		
5	Fourth quarterly estimated payment .....	5		
6	Extension payment .....	6		
7	Total payments – Add lines 1 through 6 (enter here and on Schedule C, line 11) .....	7		

**Computation of Franchise Tax****Schedule F – Net Worth**

1	Net worth (total assets less total liabilities; exclude treasury stock) .....	1	-7,769,788
2	Indebtedness to or guaranteed by parent or affiliated corporation .....	2	
3	Deduct: Interest in another taxpayer doing business in Tennessee (attach schedule) .....	3	
4	Total lines 1 and 2 less line 3 .....	4	-7,769,788
5	Ratio (Schedules N, O, P, R, or S if applicable or 100%) .....	5	100.0000%
6	Total – Line 4 multiplied by line 5 (enter here and on Schedule A, line 1) .....	6	-7,769,788

**Schedule G – Determination of Real and Tangible Property**

Book Value of Property Owned – Cost less accumulated depreciation		In Tennessee	
1	Land .....	1	
2	Buildings, leaseholds, and improvements .....	2	
3	Machinery, equipment, furniture, and fixtures .....	3	10,746,404
4	Automobiles and trucks .....	4	
5	Prepaid supplies and other tangible personal property (attach schedule) .....	5	
6	Share of partnership real and tangible property provided that the partnership does not file a return (attach schedule) .....	6	
7	Inventories and work in progress .....	7	
7a	Deduct exempt inventory (Section 67-4-2108(a)(8)) .....	7a	
8	Deduct value of certified pollution control equipment (include copy of certificate (Section 67-5-604)) .....	8	
9	Subtotals – Add lines 1 through 7, less line 7a and line 8 .....	9	10,746,404
Rental Value of Property Used but not Owned		(C)	
Net annual rental paid for:		(A)	(B)
		In Tennessee	
10	Real property .....	166,149	x8 <sup>(A)</sup>
11	Machinery and equipment used in manufacturing and processing .....		x3
12	Furniture, office machinery, and equipment .....		x2
13	Delivery or mobile equipment .....		x1
14	Tennessee total – Add lines 9 – 13 (enter total here and on Schedule A, line 2) .....		12,075,596